HOUSING MARKET OUTLOOK
Barrie CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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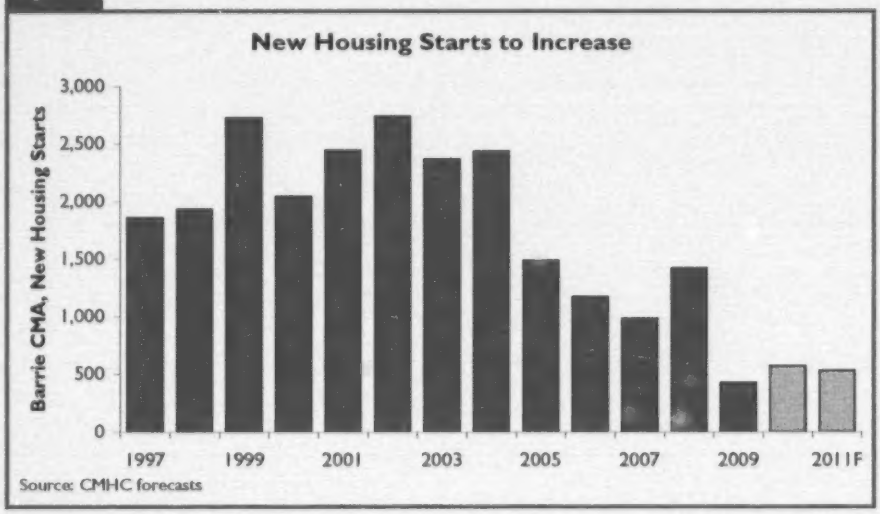
Market at a Glance

- An improving economy will drive existing home sales and new listings higher in 2010 – sales will reach 4,600 units this year before moderating in 2011.
- The resale market will favour sellers early in 2010 with the average price reaching $279,000 for the year.
- Balanced markets by 2011 will temper price increases.
- Starts will rise and reach 570 units in 2010, pushing the average price of a new single-detached home higher.

Figure 1



[1] The forecasts included in this document are based on information available as of April 23, 2010.

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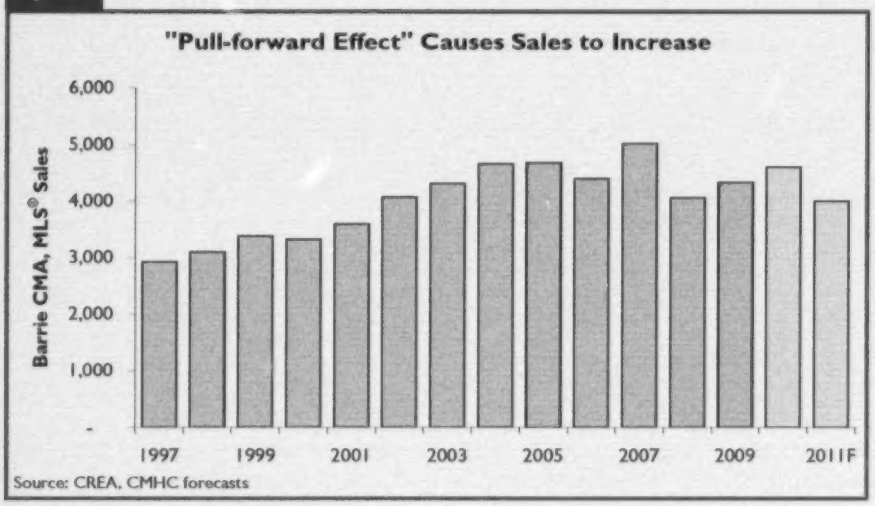
Figure 2



Resale Homes Market

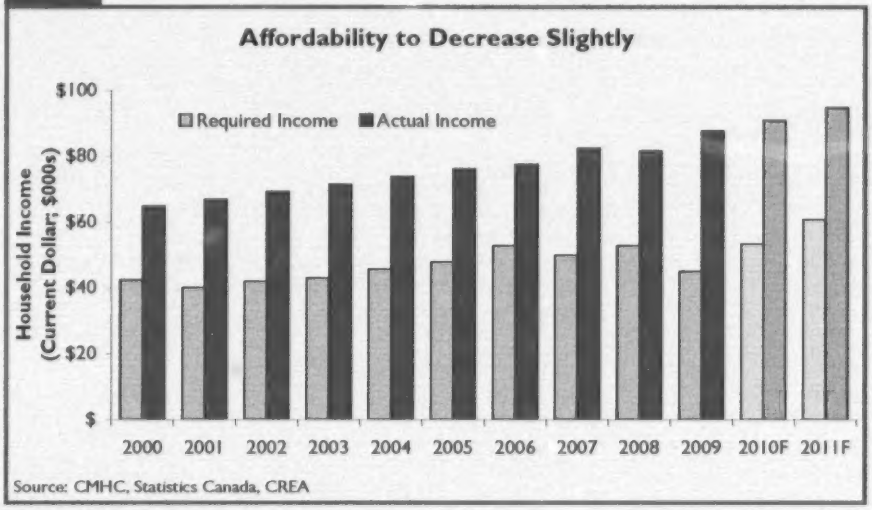
Resale Market to Grow Strongly in 2010

Existing home sales will climb from the 2009 level, growing by over six per cent in 2010. The recovery in employment that commenced in Barrie in the second half of 2009 has supported increased activity in the resale market. Due to low mortgage rates, many households still on the sidelines at the end of 2009 entered the resale market in 2010. Sales growth in 2010 has also been fuelled by homebuyers, both first-time and move-up, bringing their purchases forward into the first half of the year due to the expectation of higher mortgage rates and new mortgage rules and the imminent introduction of the HST. As a result, the high level of sales in the first half of 2010 will moderate in the second half. By 2011, sales will be trending lower due to the 2010 "pull forward effect" on sales and also due to the fact that the income required[1] to buy a home will be rising faster than actual incomes next year.

Tight resale markets this year have resulted in higher home prices which in turn will encourage more listings. The increased sales activity will persuade current homeowners that the increased demand will allow them to sell at an advantageous price. Moreover, as more sales are made to repeat buyers, they in turn will have to list their current home. In 2010, listings will be12 per cent higher than 2009. As the population grows so does the stock of housing to shelter these people. As time passes some of these people will list as they move around. So listings grow along with the housing stock, but are also influenced by economic conditions. The growing stock will support listing growth in both 2010 and 2011, but slowing price growth 2011 will limit the new listings growth that year.

In 2010, the average price of a resale home in Barrie will grow faster than inflation reflecting the tightness of the market. As new listings will grow at a faster pace than sales in the latter part of this year, price growth will slow. For many years, the average price of a resale home grew at a faster rate than inflation, but starting in 2011, prices

Figure 3



[1] Actual income is the average income of a household while the required income is the income which a household would need to maintain to be able to comfortably afford a mortgage, after 2007 this is assumed to be a 35 year term at the 5 year fixed rate with a five per cent downpayment.

will grow more moderately as the market begins to cool and return to a more balanced state.

New Homes Market

Strength in Resale Side Spills Over to New Homes Market

Starts will increase in 2010 and be more in line with long-term demand. Overall starts will see a double-digit percentage growth from 2009. With a tight resale market starting in the latter part of 2009 and continuing this year, many buyers not able to find a home in the resale market have turned to the new home market for their purchase. As a result, inventories of new homes have declined, which has spurred builders to increase new construction in response to the increased demand. For 2011, the new home market will see a dip in overall construction. Similar to what will be seen in the resale market, many new home buyers will bring their purchases forward into the first half of 2010 to avoid higher interest rates and the imminent HST. About a quarter of new homes have price tags above $400,000 and will be affected by the HST. The drop in starts will not be as severe as that reported in 2009 but 2011 will see new construction moderate. Over the next few years, starts will begin to climb and move in line with demographic requirements and household formation rates. The new lands transferred from the Town of Innisfil to the City of Barrie will become available for residential building over the next several years. With this new supply, the lots available for construction will be able to support this expected demand in the near future.

Starts of single-detached homes, which are the preferred housing type for many homebuyers in the area, will increase in 2010. Low mortgage carrying costs have allowed more buyers to purchase single-detached homes. Typically, single-detached homes make up close to three-quarters of all new construction, but, in 2010, the share will come in at about two-thirds. As the economy continues to improve, the share will increase again in 2011 and come in at just under 72 per cent, but more of them will be smaller and more affordable than in the past. Other types of new homes are not as popular in this market. Yet this year, other housing types such as row homes and apartments will carve out a bigger share of new housing. In the latter part of 2010, many homebuyers looking to purchase a new home will look for some of these units, in part, due to their more affordable prices. High production costs mean high-rise apartments are not an affordable option in the City of Barrie. Instead, lower-density apartments, which still satisfy demand but at lower costs, will be built. Furthermore, buyers will look for more affordable homes because of increased mortgage carrying costs.

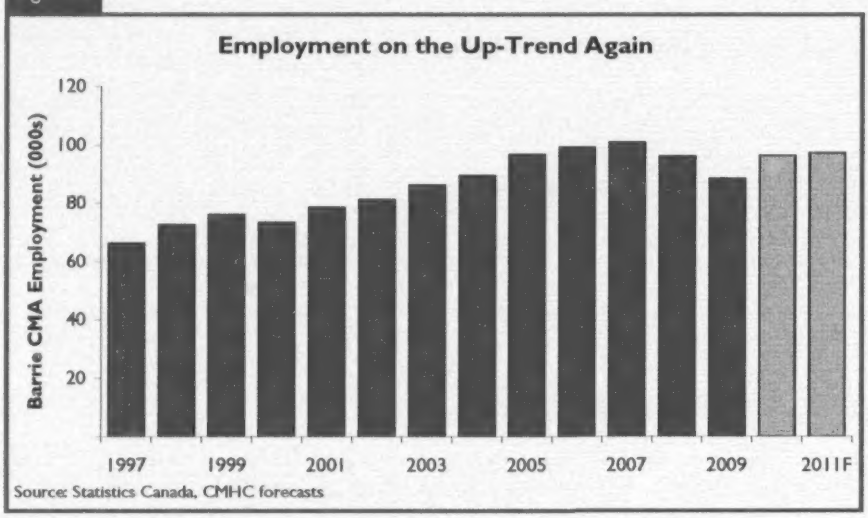
Increased demand for new homes will push the average price of new single-detached higher in 2010. In 2011, as demand for new homes moderates, average price growth will be near the rate of inflation. The gap between the average price and the median price for new single-detached homes increased between 2008 and 2009. This can be explained by the fact that in 2009, demand for the larger, more expensive detached homes in suburban areas of the CMA held up more than for smaller homes in the urban core. In 2010, the gap will begin to decrease as more price-sensitive buyers enter the market.

The Economy

Economy Continues to Expand

Employment in 2010 will grow by a very robust nine per cent. Employment in the Barrie CMA suffered in 2009 and caused the unemployment rate to spike up to a level not seen since the late 1990s. In 2011, employment growth will continue, but at a more subdued rate

Figure 4



since the majority of the jobs lost in 2009 will have been recovered in 2010.

The goods-producing sector in the Barrie CMA has started to return to form as has the services producing sector. The goods-sector in Barrie has responded well to the economic recovery, a testament to the resilience of this market. Global demand, which is important for this market, has increased and helped to fuel the growth. Furthermore, the number of corporate bankruptcies, while never high in this market at about seven per year, did not increase during the downturn. With the economy now on the way up again, employers are better positioned to hire back some of the people that were laid off and, in some cases, hire new employees. The labour force in 2010 will continue to grow, but at a slower rate than employment, resulting in a decrease in the unemployment rate to around 8.5 per cent. For 2011, the direction of the unemployment rate is down again as the labour force continues to grow but will be unable to keep pace with job growth.

In 2010, average weekly earnings growth will come slightly lower than 2009. In 2011, earnings will catch up with the economy and will grow at the rate of inflation.

The increase in the labour force can partially be attributed to migration. Net migration will be 1,480 in 2010 and 1,600 in 2011. While still at a strong level, net migration has declined over the past several years. Inter-provincial migration has been negative as an increased number of migrants have headed to Canada's West, drawing people from the Barrie CMA, as well as potential migrants to Barrie from other areas in Ontario. This is a trend that will slowly begin to reverse itself as the economy in the Barrie CMA continues to grow and people will be again be attracted to the area.

Mortgage Rate Outlook

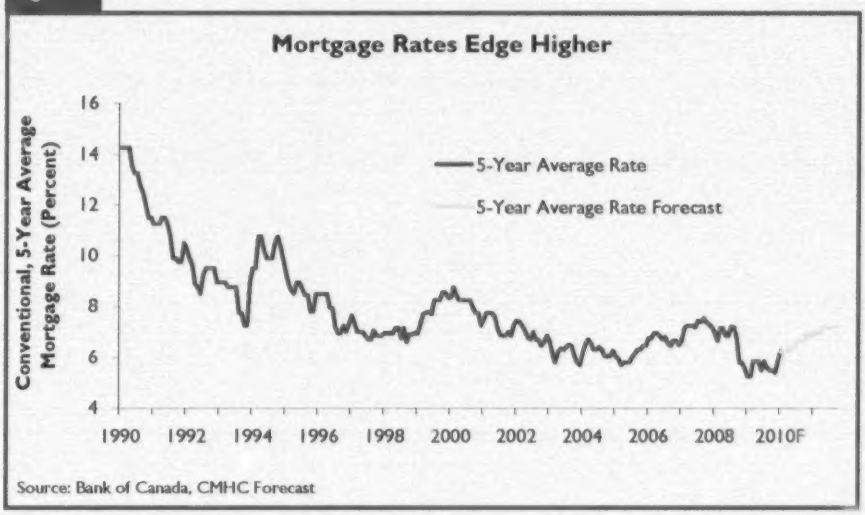
The Bank of Canada cut the Target for the Overnight Rate in the early months of 2009. The rate was 1.50 per cent at the start of 2009 and has since fallen to 0.25 per cent. Looking ahead, we expect that short-term interest rates will begin to rise in the second half of 2010.

With the overnight rate expected to increase in the coming months, mortgage rates have begun to rise.

According to CMHC's base case scenario, posted mortgage rates will gradually increase throughout the course of 2010, but will do so at a slow pace. For 2010, the one-year posted mortgage rate is assumed to be in the 3.6-4.8 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.2-6.7 per cent range. For 2011, the one-year posted mortgage rate is assumed be in the 5.0-6.0 per cent range, while three and five-year posted mortgage rates are forecast to be in the 5.6-7.2 per cent range.

Rates could, however, increase at a faster pace if the economy recovers more quickly than presently anticipated. Conversely, rate increases could be more muted if the economic recovery is more modest in nature.

Figure 5



Source: Bank of Canada, CMHC Forecast

Forecast Summary Barrie CMA Spring 2010	2007	2008	2009	2010f	% chg	2011f	% chg
Resale Market							
MLS® Sales	5,017	4,058	4,326	4,600	6.3	4,000	-13.0
MLS® New Listings	7,871	8,212	7,502	8,400	12.0	8,600	2.4
MLS® Average Price ($)	258,999	264,034	263,959	278,600	5.5	282,800	1.5
New Home Market							
Starts:							
Single-Detached	746	858	292	380	30.1	380	0.0
Multiples	234	558	135	95	-29.6	124	30.5
Semi-Detached	14	12	0	5	n/a	5	0.0
Row/Townhouse	127	170	0	20	n/a	33	65.0
Apartments	93	376	135	70	-48.1	86	22.9
Starts - Total	980	1,416	427	570	33.5	530	-7.0
Average Price ($):							
Single-Detached	329,505	358,841	431,237	460,000	6.7	475,000	3.3
New Housing Price Index (% chg.) (Ontario)	2.6	3.5	0.1	n/a	-	n/a	-
Rental Market							
October Vacancy Rate (%)	3.2	3.5	3.8	3.9	-	3.5	-
Two-bedroom Average Rent (October) ($)	934	954	961	975	1.5	977	0.2
Economic Overview							
Mortgage Rate (1 year) (%)	6.90	6.70	4.02	4.23	-	5.56	-
Mortgage Rate (5 year) (%)	7.07	7.06	5.63	6.20	-	7.06	-
Annual Employment Level	100,800	95,700	88,500	96,400	8.9	97,300	0.9
Employment Growth (%)	1.4	-5.1	-7.5	8.9	-	0.9	-
Unemployment rate (%)	5.0	5.5	9.4	8.7	-	8.6	-
Net Migration	1,567	1,752	1,712	1,480	-13.6	1,600	8.1

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = apartments 3+

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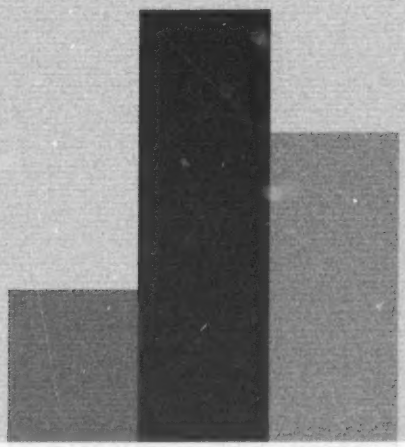

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